

CITY OF MUSKEGON

**Fiscal Year Ended
December 31, 2001**

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Facts and Figures

- Date Incorporated: July 8, 1861
- Date of Current City Charter: October 6, 1919
- Area in Square Miles: 18.99 miles
- Population: 40,105 (2000 Census); median age is 32.3 years
- 197.52 miles of streets
- 3,111 streetlights
- 14,917 water customers
- 9.9 million gallons of water treated and consumed daily
- \$62,520 - 2001 average home value
- \$933.66 - 2001 average residential homestead property tax bill
- \$246.11 - 2001 average residential water/sewer bill
- 315 full-time positions (102 police; 46 fire; 167 other)
- \$38,622 - average City employee annual salary
- 38,829 - overtime hours worked by City employees in 2001
- 315 retirees and surviving spouses receiving City pensions
- 50% (12,010) of Muskegon's registered voters voted in the 2000 presidential election
- 11% of registered voters voted in the last City election

**City of Muskegon
933 Terrace Street
Muskegon, MI 49440
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Citizens Summary Financial Report



March 31, 2002

To The Citizens of Muskegon:

We are pleased to present to you the *Citizens Summary Financial Report*, prepared by the City of Muskegon's Financial Services Division, for the year ended December 31, 2001. The City of Muskegon reports year-end financial results in a 113-page independently audited report called the *Comprehensive Annual Financial Report (CAFR)* which can be viewed at City Hall or accessed at the City's website - www.shorelinecity.com. This *Citizens Summary Financial Report* presents some of the most significant information from the 2001 CAFR in a non-technical, readable format that is easily understood by citizens.

Muskegon's financial condition remains sound. Despite the economic downturn in 2001, the City's general fund balance reserve increased \$210,633 as result of stable revenues and tight cost controls. The fund balance reserve will provide a cushion against further problems in the economy in 2002. Also, during 2001 the City was able to reduce its outstanding debt by more than \$4.2 million. Having a sound financial footing means that the City can continue to provide residents with high-quality municipal services at costs that are among the most reasonable and competitive in the state.

As you review this report, we invite you to share your questions, comments or suggestions with us. We can be reached at (231) 724-6713 or e-mail us at finance@shorelinecity.com.

City of Muskegon, Michigan
Citizens Summary Financial Report

City Revenue Sources

For 2001, the City received \$46.3 million in revenues. About eighty-three percent of this income came from the six major revenue sources described below.

Income Tax

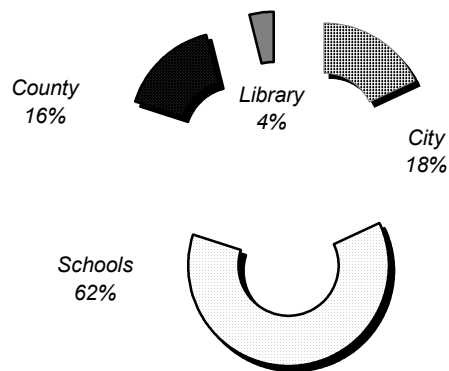
The City income tax was approved by voters in 1993 and is now the primary source of funding for police, fire, parks and other general operations. The tax rate is 1% on City residents and ½ of 1% on non-residents who work in the City. 2001 income tax collections totaled \$6.9 million and came from the following sources:

	# Payers	Amount (Mil \$)	%	Avg.
City Resident	8,574	\$ 2.4	35	\$ 280
Non-Resident	15,358	3.7	54	241
Corporate	1,800	.8	11	444
Total	25,732	\$ 6.9	100	\$ 268

Property Tax

Although the City bills and collects *all* property taxes, it *keeps* only \$0.18 of each property tax dollar for its own use. The remaining \$0.82 is passed on to the schools, library, county and community college to fund their operations. The City's operating millage consists of 7 mills for general operations and 3 mills levied for sanitation. The City reduced its millage rate by 3 mills when the income tax was passed in 1993 and *has kept it at the same level since then.*

Your Property Tax Dollar



State Shared Revenue

The State of Michigan annually remits to the City a share of state sales tax revenues to help pay for the cost of general operations such as police and fire protection. For 2001, State Shared Revenues amounted to \$5.7 million or about \$143 for each City resident.

Street Funds

The State also returns to the City a share of state gasoline tax revenues to help fund maintenance and construction of City streets. For 2001, State street revenues received by the City amounted to \$3.2 million, or \$15,995 for each mile of street the City maintains.

Water and Sewer Fees

Users of the City's water and sewer systems pay fees based on the number of gallons used. Currently these fees are \$0.89 for each 1,000 gallons of water used and \$1.49 for each 1,000 gallons of sewage. Non-resident users of the City's water system pay higher fees. For 2001, revenue from these sources totaled \$8.2 million.

Grants

During 2001, the City received state and federal grants for a variety of purposes including:

- *Community Development Block Grant and HOME Programs* – housing improvements and public services in lower income areas.
- *Street Improvements* – various grants were received for streets including improvements to the City portion of US 31.
- *Law Enforcement Block Grant/Distressed Neighborhoods* – police manpower and equipment.

City Of Muskegon Sources of Revenue

Fiscal Year Ended
December 31, 2001

Revenue Source:	Amount	% of Total
City Income Taxes	\$6,916,087	15.0%
Property Taxes	7,287,314	15.8%
State Shared Revenue	5,748,523	12.4%
Street Funds	3,159,325	6.8%
Water & Sewer Fees	8,248,209	17.8%
Grant Revenue	6,903,617	14.9%
All Other Sources	8,010,071	17.3%
Total	\$46,273,146	100.00%

How The City Spends Your Taxes

Most popular services including police and fire protection, parks, recreation programs, streetlighting, sanitation, and cemeteries are accounted for in the City's "General Fund". The General Fund is also where City property tax and income tax revenues are deposited. In addition to the General fund, the City uses a number of special purpose funds that account for user fees and other revenues dedicated to specific purposes such as:

- *Major and Local Street Funds*
- *Water and Sewer Funds*
- *Marina and Launch Ramp Fund*
- *L.C. Walker Arena Fund*

Use of Income Tax Dollars

When the City income tax was passed in 1993, commitments were made to spend the funds for specific programs and services. The City takes

these commitments seriously and continues to use income tax dollars for the purposes originally pledged:

Use of City Income Tax Dollars	
2001 Income Tax Collections	\$ 6,916,087
Replace revenue loss from 3-mill property tax reduction	(1,800,000)
Replace revenue loss from garbage fee elimination	(1,100,000)
Inner city recreation programs	(183,694)
Income tax administration	(274,470)
Street maintenance	(820,000)
Additional firefighters (8 added since income tax)	(500,000)
Additional police officers (12 added since income tax)	(750,000)
Fire equipment replacement reserve	(150,000)
Enhanced parks & cemeteries, information systems, City Hall improvements and other services	(1,337,923)
Total Income Tax Uses	\$ 6,916,087



City Of Muskegon How the City Spends Your Taxes

	<u>FY 2000</u> <u>Amount</u>	<u>FY 2001</u> <u>Amount</u>	<u>%</u> <u>Change</u>	<u>FY 2000</u> <u>% of Budget</u>
General Fund Expenditures:				
Police Protection	\$ 7,200,625	\$ 7,052,365	-2.1%	13.2%
Fire Protection	3,896,144	4,078,171	4.7%	7.7%
Sanitation	1,663,177	1,706,488	2.6%	3.2%
Streetlighting	518,200	515,938	-0.4%	1.0%
Parks & Leisure Services	1,881,613	2,131,014	13.3%	4.0%
Cemeteries	464,099	506,572	9.2%	1.0%
Planning & Economic Development	931,336	948,756	1.9%	1.8%
City Administration and Other General Fund Uses	<u>5,677,463</u>	<u>6,296,674</u>	<u>10.9%</u>	<u>11.8%</u>
Total General Fund	<u>22,232,657</u>	<u>23,235,978</u>	<u>4.5%</u>	<u>43.6%</u>
Street Maintenance & Construction	8,518,303	8,920,520	4.7%	16.7%
City & Township Water Service	3,797,436	3,713,630	-2.2%	7.0%
City Sewer Service	2,844,394	3,174,270	11.6%	6.0%
Marina & Launch Ramps	306,292	299,263	-2.3%	0.6%
L.C. Walker Arena	854,666	847,697	-0.8%	1.6%
Sidewalk Replacement	871,969	1,008,436	15.7%	1.9%
Community Development & HOME Programs	3,277,411	2,405,815	-26.6%	4.5%
Debt Service (2001 includes \$4.5 million refunding)	1,333,820	6,612,130	395.7%	12.4%
All Other Funds and Programs	<u>2,338,648</u>	<u>3,059,734</u>	<u>30.8%</u>	<u>5.7%</u>
Total Non-General Fund	<u>24,142,939</u>	<u>30,141,495</u>	<u>24.4%</u>	<u>56.4%</u>
	<u>\$ 46,375,596</u>	<u>\$ 53,277,473</u>	<u>14.9%</u>	<u>100%</u>

Debt

Occasionally, the City borrows money to complete important projects too expensive to pay from regular revenue sources. Debt is also used to spread the costs of major capital improvements over the future generations of citizens that will benefit from these projects. As of December 31, 2001, the City had \$32.4 million in outstanding indebtedness issued for the following purposes:

City Of Muskegon Outstanding Debt and Its Purposes		
	<u>Amount</u> (Mil \$)	<u>% of</u> <u>Total</u>
Debt Issued to Improve:		
Water & Sewer Facilities	\$ 18.4	57%
Streets & Sidewalks	6.1	19%
Downtown Development	5.0	15%
Other Public Facilities	2.9	9%
Total	\$ 32.4	100%

The City's credit rating from Standard & Poor's is "A" with a stable outlook.

Pension Funds

For more than 50 years the City has funded its own local pension plans for the benefit of employees. Currently, more than 300 retirees and surviving spouses receive City pensions. Pension funds that are not adequately funded or properly managed can place a severe strain on a government's finances. The City is proud to report that the most recent independent actuarial valuation of its funds concluded, *"the accrued actuarial condition of the retirement system(s) continues to be excellent."*

Outlook

Financial challenges that lie ahead include deteriorating streets and sidewalks, rapidly rising insurance and healthcare costs and, declining state and federal financial assistance. The City is positioned to be able to deal with these issues in the near term without slashing services or raising taxes. We are confident as well that the City's sound financial footing, coupled with the many development initiatives currently underway, will provide the resources needed to confront these and other challenges in the longer term.

Bottom-Line Costs

How much does the typical resident pay for City services? As shown below, an average city resident can expect to pay about \$1.81 per day (less than the cost of a gallon of milk) for a full range of City services including full-time police and fire protection, reliable water and sewer service, exceptional parks and recreational opportunities, streetlighting, trash pick-up, recycling, and much more.

Cost Item	Average Homeowner	Your Data
<u>1. Property Tax (City Share Only)</u>		
Taxable Value of Home	\$24,362	\$ _____
X .010088 (City Millage Rate)	.0100792	_____
Equals Gross City Property Tax	245.55	_____
Less: Fed Tax Deduction (15%)	(36.83)	_____
Equals Net City Property Tax	<u>\$208.72</u>	\$ _____
<u>2. City Income Tax</u>		
Taxable Income	\$29,200	\$ _____
Less: Avg. Exemption	(1,200)	_____
Equals Taxable Income	28,000	_____
X .01 (City Tax Rate)	.01	_____
Equals Gross Income Tax	280.00	_____
Less: Fed Tax Deduction (15%)	(42.00)	_____
Less: State Income Tax Credit	(32.00)	_____
Equals Net City Income Tax	<u>\$206.00</u>	\$ _____
<u>3. Water & Sewer Fees</u>		
Annual Water Usage (thousands of gallons)	78.2	_____
X \$2.38 (Water Plus Sewer Rate)	\$ 186.12	_____
Plus: Annual Ready to Serve Fee	<u>60.00</u>	_____
Equals Water & Sewer Cost	<u>\$ 246.12</u>	\$ _____
<u>4. Total Yearly Cost (1 + 2 + 3)</u>	<u>\$ 660.84</u>	\$ _____
<u>5. Cost Per Day (4/365)</u>	<u>\$ 1.81</u>	\$ _____

This example assumes a single-family homeowner who itemizes deductions. (City property and income taxes are fully deductible.) A 15% federal tax bracket is assumed; residents who are in the 28% or higher federal tax bracket should use the higher figure. A \$600.00 exemption is allowed for the taxpayer and each dependent. The average City resident return claims two exemptions (\$1,200.00).

Water use varies widely by individual preference. In Muskegon, the average residential household uses 78,200 gallons per year.